Oregon Business Review

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Progress in Northwest Timber Utilization Reported

By ALBERT ARNST
Managing Editor, The Timberman

Flaying the wicked lumberman for his alleged wanton waste of forest materials is a popular pastime. Driving by a mill refuse burner, many of you have remarked: "Look at that good wood going up in smoke." Or perhaps your comments have been directed against a logging area: "They left more on the ground than they've taken to the mill."

The record of the forest-products industry is still not clean. With several thousand logging operators and millmen operating in the western states, miracles cannot be wrought overnight. But tremendous progress is being made in the recovery of more wood volume from our raw material — logs — both in the forest and in the mill.

Many of these revolutions in wood use have been unpublicized. Like other good things around us, the spotlight of publicity seldom falls on them. These new uses aren't sensational, but their impact on the economic future of this great Pacific Northwest is probably as newsworthy an event as a feature writer looking for "scoops" could hope to find.

Like most industrial developments, this new age of wood into which we are still tip-toeing timidly owes its genesis to economic reasons. A fundamental principle of the American business system, the system which has made this country the world's leader in applying technology and industrial skills to the processing of raw materials, is that there be an economic incentive to stimulate research and build factories. Simply stated, someone has to make money doing something.

Waste is a relative term. An unwanted raw material today may become a prized resource tomorrow. That axiom applies to all who deal with raw materials, the farmer as well as the forester. Byproducts assume value and can be converted into useful commodities if (1) someone finds a practical way to make some new product from this leftover and if (2) a market can be developed and the product can be sold to consumers at a profit.

The lumberman's alleged crimes of waste have been sins of omission and not commission. He didn't deliberately plan to leave forest materials on the ground or consume good wood with fire. It was only that nobody wanted to buy the logging and milling residues—they

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McMinnville Tries New Plan For Financing Industry*

By R. H. WINDISHAR
President, McMinnville Industrial Promotions, Inc.

There is little to distinguish McMinnville, Oregon from a thousand other towns like it—we have about 7,400 inhabitants in our city limits, and we are proud of our people, our churches and schools, our municipally owned utilities, the service we give our citizens through the various departments of our city government, and our businessmen and women.

We have in our town the usual number and variety of business houses that you would expect to find serving a a community like ours, and we have the usual number of manufacturing and service enterprises which you look for in typical small towns. The economy of our community, however, and of the surrounding area, is not based on our manufacturing enterprises; it is dependent on our highly diversified agricultural operations and related businesses, along with a steadily diminishing income from logging and lumber mill operations. We are, in other words, a farming town rather than an industrial community.

We have been, and are, happy to be a farming town. Our agriculture has not made us rich, but it has given us a good, solid economy, with a minimum of the "ups and downs" experienced by what we think of as the typical industrial town. Our farming economy has given us a community that is a clean and pleasant place in which to live, and an attitude toward local, state, and national problems that is neither radical on the one hand nor destructively conservative on the other.

All this by way of saying that our town has followed a pattern of logical, natural growth down through the years, a pattern which has been encouraged in the past by good management and intelligent planning. But we now find that the time has come when we must do some altering of our pattern, must enlarge it to recognize a new concept of things in our community—for we find that our people are clamoring for additional payroll industry.

We suspect, from what we read, and from what we hear at gatherings of chamber of commerce administrators and executives, that this situation is not one peculiar to our

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* This is the text of a talk given at the Industrial Development Workshop held at the University of Santa Clara, June 13-15, 1954.

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McMinnville Tries New Plan For Financing Industry

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community alone, but is a problem shared by many small and large cities. In our case we do not need to dig very deep to find the causes for this sudden hue and cry to bring industry into our town. The reasons seem to be:

(1) As our agricultural operations have become mechanized, and have been concentrated in larger operations, labor on a year-around basis has become a small factor in farming. By the same token, seasonal labor has become a big factor in our economy, with the merchant finding it necessary to gear his operations to seasonal-labor peaks. We now need payrolls to round out our employment picture.

(2) Immigration to the West Coast, plus the unanticipated rapid growth of our total population, is adding people to our communities faster than the communities can supply jobs for these folks. We must create new jobs in order to keep the standard of living in our communities on a desirable level, and, when I speak of standard of living, I mean the well-being of the entire community.

(3) Our community is almost one hundred years old. As the town has grown up, the wealth of the old families, which has in the past been available for investment in the growth of the town, has gone out of circulation. We *all* recognize this problem. So in our small town we need to create new jobs, through new industry, that will bring dollars from outside into our community in order that we will, as business and professional people, not just be trading dollars with each other.

These facts have pointed up to us the need for bringing into our community industry that would be beneficial to our economy, that would fit into our community picture, and industry that would prosper if located in our little city. The problem became one of finding some incentive to bring that type of enterprise to the town.

We knew that we had to determine first of all what type of industry we would like to bring to McMinnville. It was readily apparent that we would do no good by shooting out in all directions, for we had talked enough with people interested in industrial problems to know that such an approach to this problem was almost worse than no approach at all. We accordingly set about to analyze our situation and find out just what it was we wanted.

We decided, first of all, that, if we were to be successful in bringing industry into our community, we had better not try to contact payrolls that would be out of proportion to the size of the town. We came to the conclusion that it would be much better to have several small payrolls in the area rather than one or two large payrolls whose size would create bad problems, both for the firm and for the community. We then decided that, as far as possible, we would like to have noncompetitive industries with a good potential for growth.

After we had come to the conclusion that we wanted small noncompetitive industries which could grow with our community, we tried to analyze our situation in McMinnville to determine what we had that would attract industry to the town. It soon developed that, as nearly as we could tell, we had nothing except a very pleasant community in which to live that wanted some payroll industry!

As we understand it, there are basically five factors that must be considered in locating an industry. First of all, natural resources. We have none except our timber and, as I have indicated, we are running out of logs in the upper part of the valley. Second, an employer would look for low taxes, and we find that our tax rate is fairly high in comparison with other areas. Third, a manufacturing enterprise would look for convenient transportation. We are on a branch line of a major railway with only one line serving our town, and are on the west-side branch of Highway 99 with three major truck lines having a franchise to operate over that highway, and none of them operating regular runs over the road at the present time. Fourth, a manufacturer might look for cheap fuel. We have very cheap power rates in our community, but no cheap fuel is available. Fifth, an employer might look for a skilled labor pool. We do not have a large pool of labor skilled in any of the trades except those connected with the lumbering business.

So, we found that we did not have the factors that would normally attract an industry to our community. We had to provide some other incentive.

We were discussing the problem in our Chamber of Commerce board meeting one noon, and in the course of the discussion were enumerating the factors which might affect the decision as to location for a man who was planning to move his factory or who was interested in getting into the manufacturing business. In the course of the conversation, the statement was made that it was possible for a man with a manufacturing business to find almost anything that he needed—site, building, help of one kind and another, but one thing that was always difficult to obtain was risk capital. A man who had a good idea with a good potential market, and who was an industrious individual, could not borrow on character through the normal banking channels such as he would have been able to do many years ago. In our present-day banking system, with the restrictions which are placed upon our banks, it is almost impossible for the banker to make such character loans. This started the ball rolling. The discussion continued and we began to think that it might be possible for us, in some way or other, to set up an organization that could provide risk capital to a man who was interested in developing an idea, or to a man who had a going concern, but who needed expansion risk capital and could not borrow it through normal channels.

To make a long story short, we formed in our community what we call McMinnville Industrial Promotions, Inc. This is a nonprofit corporation designed to provide

risk capital to a man with a good idea and a good potential market, with a good character background, who cannot borrow that capital through the normal banking channels. The statement of purpose as filed in the articles of incorporation will indicate the scope of the organization. The statement of purpose is as follows:

A. "To foster, improve and promote, the industrial, commercial and physical development of the City of McMinnville, Yamhill County, Oregon, by assisting financially, or otherwise, the establishment of new industry or business, or the continuation of present industry or business within or adjacent to said City of McMinnville, Oregon.

"B. To have the right to own, hold, in trust, use, sell, convey, mortgage, lease or otherwise dispose of such property, real or personal, including shares of stock, bonds, or other evidences of indebtedness of corporations, copartnerships and individuals, as may be needed for carrying out the objects of this corporation.

"C. Generally, to do or to perform any act which the corporation would deem proper and expedient in connection with the foregoing purposes, or which is calculated indirectly or directly to promote the welfare of the City of McMinnville, Oregon, and to have to enjoy all rights, powers, and privileges which are now or may hereafter be conferred on non-profit corporations in the State of Oregon."

We found that we were able to sell this idea to the business and professional men in our community. Some forty-five of these individuals made pledges to this corporation in sufficient amounts to enable us to commit ourselves to the extent of some $54,000 for our first two projects.

One of these projects involved the location of a branch plant of a nationally known baking company. In this particular instance, the firm was seeking a location in the Pacific Northwest, and wanted a building constructed for them which they could rent for a period of time, and which eventually they wished to own. Normally, such a project would go to private capital, but in this instance the company wished to buy the building in a relatively short time —and we found this to be a likely project for our corporation. Accordingly we had plans drawn and a building constructed, which we are now renting to the firm.

The second project for which we made commitments involved a gentleman who had evolved a commercially feasible process for bonding wood and plastic. This individual had a small pilot plant in Seattle where he had proved his process, and had reached the point where he needed capital which would enable him to get into production. We made the loan to him which was necessary to get him under way, securing that loan by a mortgage on machinery which he owned.

So, we have our idea in operation. We do not expect, as it indicated by the fact that it is a nonprofit corporation, to make money from the enterprise. We are interested only in bringing new payrolls into the community. We found some very tangible benefits accruing to us almost immediately, from the formation of the corporation for it took the critics off our backs. Those people, who had been condemning the Chamber of Commerce and the community leaders for lack of action, and for a supposed lack of interest in the welfare of the town, were suddenly confronted not only with a plan under which they could operate, but a plan which gave them a chance to get their feet wet by participating financially. It has been almost a year now since we have heard anyone complain to us of the fact that nothing is being done to bring new industry into the community.

We do not know that we have found the right answer to this problem, but we do know that there will be approximately 200 additional jobs in McMinnville as a direct result of this effort. We arrived at our plan quite independently of what has been done in other places, but since getting under way we have found that other communities have tried the same plan, with variations, and that it has worked. Scranton, Pennsylvania is a noteable example.

Progress in Northwest Timber Utilization Reported

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couldn't even be given away. Our economic system had not yet found an end use for these cinderellas of the wood pile.

Why must there be leftovers, in either logging or milling? A mature forest ready for harvesting is not the storehouse of perfect wood you might think. The next time you are in an old-growth stand, take a good look skyward and on the ground. Notice the snags, the broken-topped trees, the defect signs. Old age creeping into the forest devastates cellulose like it does human beings. Rot, insects, windthrow, and ice storms cause a tremendous loss in wood volume.

This means that, once the trees lie on the ground and are cut into log lengths, a culling must be made between sound wood and defective wood. There is also some breakage loss from falling the trees. So the logging residuals you see on the ground aren't always the sound wood you might think—they've been left behind because they're rotten. Sound chunks too short for lumber utilization are being picked up more and more for pulp mills. More will be said about that later.

Sawmilling is still the basic industry in the Northwest, with perhaps 70 per cent of our log supply going into the production of lumber. You must understand a little about sawmill procedure to appreciate why and how there are leftovers.

No two logs are ever the same. They are as different as people. In sawmilling, the recovery of the maximum quantity and quality of lumber depends on the judgment and skill of such key men as the head sawyer and the edgerman in understanding and dealing with individual logs. Logs may be knotty or smooth. They can have splits or checks longitudinally or in the end sections. They can taper fast from one end to the other or be uniform. They can be defective or sound. They can be crooked or straight. They can have thick bark or almost none.

Cutting sound and rectangular boards from such a varying cylinder of wood is bound to produce leftovers. These include sawdust chewed out by the various saws, slivers piled up by machine handling, slabs or the curved outer portions of the log, edgings or pieces trimmed off

the sides of boards, and end trims piled up in cutting boards to length.

These leftovers have one common characteristic—They're too short, too narrow, or too thin to make lumber in commercial sizes. The volume of these leftovers is quite large; it may run as high as 50 per cent of the original log volume. When timber was cheap—before World War II—there wasn't much economic stimulus to doing anything with these residues. But now, with packaged cellulose selling almost by the pound, it has become necessary that the millman recover extra values from raw material which has cost him dearly.

Confronted by the problem of making something useful from this conglomeration of sound wood in wrong sizes, the millman made a little progress by using a comparatively small amount for lath, furniture stock, and specialty products. But this didn't make too much dent in the woodpile.

The chemist solved the millman's problem. Down in the southern states a man named Herty perfected a successful way of making pulp from residues or nonwhite forest woods, such as the pines. The process was called kraft of sulphate, in contrast to sulphite, the older pulping process which can use only the white woods, such as hemlock, spruce, and white firs. Although the Northwest had a few such mills prior to World War II, the postwar period saw a sudden and dramatic invasion of the Northwest by kraft pulp mills. Able to subsist on Douglas fir and Ponderosa pine, which are our principal sawmill species, these mills changed the utilization picture completely.

Pulp mills require their wood in chipped form. Here was the answer. Let's chip the milling residue from our sawmills, said the millmen. Today it is estimated that 150 sawmills and plywood plants are equipped with chippers, chewing up a tremendous volume of lumber and plywood byproducts as they spew out on refuse conveyors. The chips are flowing to eleven kraft mills, most of which have been built since 1945.

The output of these chippers annually is equivalent to 750 million board feet of sawlogs—logs which don't have to be harvested on tree-farm lands. Chips are being hauled by rail as far as 200 miles and by truck up to 75 miles. The smallest mill with a chipper produces about a carload of chips a day.

This flood of chips is also going in part to about eleven hardboard plants, newest members of our changing forest industry. Hardboard plants are semichemical in nature. The pulplike product resulting from the cooking of chips is compressed by heat and pressure into hard-finished panels.

So here we have multimillion dollar chemical conversion plants, making everything from paper bags to cardboard cartons and tissue paper, deriving about 70 per cent of their raw-material requirements from leftovers. These scavenger plants, living on clean, sound material which formerly had no economic destiny because of size and shape, have face-lifted our industry beyond belief.

One large Longview kraft pulp mill maintains a central chipping plant down near Eugene. Residues from many surrounding mills are brought in by truck—peeler cores, slabs, edgings—and converted into chips, which are shipped by rail about 175 miles to Longview. This has helped put many refuse burners out of business in the Eugene area.

Chips going to the pulp mills and most hardboard plants must be made from wood which is bark-free. The debarking is best done before the log goes through the bandmill. In 1947 there was only one sawmill with a log barker, a hydraulic unit. A recent count shows that there are now about 85 sawlog barkers at work from California north to British Columbia and east to Idaho and Montana. These include hydraulic units and mechanical machines. Real progress is being made in designing barkers which can be installed at reasonable cost by medium-sized and small sawmills.

What's the payoff in having a sawlog barker? There are several. First, lumber recovery is increased. The sawyer can judge his cuts better and more high-quality lumber is recovered. There is less wear on saws and the mill is cleaner and more accident-free. But the biggest payoff is in increased chip recovery. Picking over the clean wood from conveyors in sawmills without a barker results in a recovery of .2 units of chips per thousand board feet. The same sawmill with a barker installation can step up its recovery to about .6 or .7 units. That's a real dividend.

What has been told is the most dramatic part of our utilization progress. But much more is being done on other fronts. Let's take a quick look.

More Mill Utilization. Basic sawmilling practices have been improved. Band saws are being used instead of circular saws, producing less sawdust. More resawing is being done. Gang saws are employed on smaller logs. Horizontal resaws, for instance, get more lumber from slabs. Better kiln-drying practices, improved machines—all of these step up recovery.

Gluing and Lamination. Making big pieces out of little ones is becoming popular and profitable. Many mills are now edge- and end-gluing too narrow and too short pieces of lumber, otherwise unsalable, into almost any length and width desired. The glue joint is stronger than the original wood. Electronic drying processes have made this possible. In the field of timber laminating, architectural miracles are being created in gluing and ring-connecting kiln-dried structural members into huge arches for roofs and trusses for bridges. Just recently Timber Structures, Inc. here in Portland shipped out a 254-foot roof arch for a structure in New York. Tests show that the strength of these members is much stronger than single-piece members previously used. Then, too, a laminated, ring-connected truss or arch can be engineered to fit almost any installation.

Pres-to-Logs. Produced from dry planing-mill shavings, Pres-to-lows are solidified wood briquettes formed under 25,000 to 30,000 pounds of pressure per square inch. Each log, 4 inches in diameter and 12½ inches long, weighs 8 pounds. About ten companies in Oregon and Washington are making Pres-to-logs.

Plywood. About 100 plants in the western states produced over 4 billion square feet of this miracle sandwich in 1953. Utilization progress in this industry includes the use of paper, hardboard, and plastic faces over core stock not of face quality and by the increasing production of

sheathing grade material, which now comprises about 22 per cent of the industry's production. Patching techniques have been increased, too. The net result of all this is that a lower grade of log can be used.

Hardboard. Production of hardboard from defiberized wood was started in Oregon in 1945. There are now about eleven plants in operation, or under construction, with an annual capacity of 480 million square feet. Raw material is chipped milling residues. Hardboard is now being made in a wide variety of patterns and sheets.

Paper-Faced Veneer. A layer of kraft paper is glued to each side of a sheet of veneer. The veneer can be made from low-grade logs, even partly defective. Three plants are operating in Oregon, using low-grade Douglas-fir, white-fir, and hemlock logs.

Hardwoods. Although the western states have a large volume of native hardwoods, refinements in manufacture are needed to put the industry on a competitive basis. Hardwoods are used in furniture manufacturing. Principal problems relate to manufacture, drying, and grading.

Plant Integration. Grouping a variety of wood-using plants on one site is the newest step in improved utilization. By connecting the plants with conveyor systems, the relationship becomes symbiotic, with the byproducts of one plant becoming the raw material for another. Complete log utilization can thus be effected.

One major producer at Longview has attained almost complete utilization on its 640-acre plant site, to the point where power plant boilers formerly fired by hogged milling residues must now be partially fired by oil.

On this plant site are a plywood plant, three sawmills (each designed for a certain log size), a kraft pulp mill, a sulphite mill, a power plant deriving its fuel energy from treated pulping liquors, a power plant for sawmill energy, a Pres-to-log plant, glued lamination and edge- and end-gluing departments, a bark-products plant, other fiber plants, and a complete remanufacturing department for lumber. At this plant all incoming logs, regardless of

PORTLAND FOOD PRICES—AUGUST 1954

The University of Oregon Bureau of Business Research, working with data collected by the United States Bureau of Labor Statistics, reports that, of 75 foods priced in Portland in mid-August 1954, 32 were higher than in mid-July, 32 were lower, while 11 were unchanged. Cereals, beverages, and sweets were higher. Meats were down, as were most fresh and frozen fruits and vegetables. Potatoes, veal, and lamb led in the price decline. Coffee was up 8 cents; bread and flour were each up a cent.

Commodity and Unit	In Cents: Average Aug. 15, 1954	Change from Last Month	Aug. Range of Prices: High	Low
CEREALS & BAKERY PRODUCTS:				
Cereals:				
Flour, wheat (5 lbs.)	54.9	.9	61	52
Corn flakes (12 oz.)	22.0	.....	25	21
Corn meal (lb.)	13.3	.6	18	12
Rice (lb.)	23.7	.1	29	20
Rolled oats (20 oz.)	19.8	.1	22	19
Biscuit mix (20 oz.)	26.2	.....	29	21
Bakery products:				
Bread, white, per loaf (lb.)	19.6	1.4	20	18
Vanilla cookies (7 oz.)	25.5	.7	28	23
Soda crackers (lb.)	27.5	— .1	29	27
MEATS, POULTRY & FISH:				
Meats:				
Beef:				
Round steak (lb.)	93.8	— .5	98	85
Rib roast (lb.)	78.6	.8	85	69
Chuck roast (lb.)	54.4	—2.5	63	49
Frankfurters (lb.)	50.9	— .9	59	45
Hamburger (lb.)	39.7	—1.0	59	33
Veal:				
Cutlets (lb.)	95.8	—8.4	129	83
Pork:				
Chops (lb.)	89.3	—5.1	98	79
Bacon, sliced (lb.)	78.7	—6.3	89	69
Ham, whole (lb.)	69.3	—3.4	73	69
Lunch, meat, canned (12 oz.)	48.5	— .7	57	45
Lamb:				
Leg (lb.)	71.4	—7.3	79	65
Poultry:				
Fryers, N.Y. dr. (lb.)	67.1	.1	73	57
Fish:				
Salmon, canned (lb.)	50.4	— .1	59	45
Salmon, fresh (lb.)	81.0	3.7	89	69
Halibut, fresh (lb.)	57.7	.5	69	45
Tuna, canned (7 oz.)	70.4	— .4	47	37
DAIRY PRODUCTS:				
Butter (lb.)	69.5	— .1	75	67
Cheese, Amer. proc. (lb.)	53.7	— .9	60	49
Milk:				
Fresh, delivered (qt.)	21.5	.....	22	22
Fresh, grocery (qt.)	21.3	.1	22	21
Evaporated (14½ oz. can)	13.1	.3	16	10
Ice cream (pt.)	27.4	.4	33	21
EGGS, fresh (doz.)	66.5	.2	69	59
FRUITS & VEGETABLES:				
Frozen:				
Strawberries, sl. (12 oz.)	32.1	—1.2	47	25
Orange juice, conc. (6 oz.)	19.4	.2	25	14
Peas (10 oz.)	18.5	—1.3	25	16
Green beans (10 oz.)	22.8	— .4	25	21

Commodity and Unit	In Cents: Average Aug. 15, 1954	Change from Last Month	Aug. Range of Prices: High	Low
FRUITS & VEGETABLES (cont.):				
Fresh:				
Apples (lb.)	14.0	—4.5	19	8
Bananas (lb.)	19.6	— .4	23	16
Oranges (size 200, doz.)	69.8	2.9	87	48
Beans, green (lb.)	14.7	—3.4	19	10
Cabbage (lb.)	7.6	—1.0	10	7
Carrots (bunch)	10.3	— .7	14	10
Lettuce (head)	10.0	.....	15	8
Onions, yellow (lb.)	7.9	.....	12	5
Potatoes, white (15 lb.)	90.1	—17.3	134	58
Sweet potatoes (lb.)	18.6	.....	29	14
Tomatoes (lb.)	22.7	—3.3	39	14
Celery (lb.)	11.3	—2.2	15	7
Lemons (lb.)	18.1	.9	27	15
Peaches (lb.)	19.2	1.2	29	15
Grapes (lb.)	20.3	.....	29	18
Watermelon (lb.)	3.9	.....	5	3
Canned:				
Peaches (no. 2½ can)	29.7	— .1	37	27
Pineapple (no. 2½ can)	36.8	.3	41	34
Orange juice (46 oz.)	39.9	1.4	49	35
Fruit cocktail (no. 2½ can)	40.7	.1	48	39
Beans with pork (16 oz.)	13.3	— .4	15	12
Corn, cream style (no. 303 can)	17.5	.....	21	16
Tomatoes (no. 2½ can)	21.8	— .7	25	19
Peas (no. 303 can)	19.9	— .1	24	17
Vegetable soup (11 oz.)	14.1	.1	16	14
Baby foods (4½-4¾ oz.)	8.7	.....	10	8
Dried:				
Prunes (lb.)	29.3	.2	35	26
Navy beans (lb.)	21.0	.1	25	19
BEVERAGES:				
Coffee (lb.)	116.2	8.1	125	108
Tea (¼ lb. pkg.)	35.6	.....	41	33
Cola drink (6 btles.)	34.8	.1	37	33
FATS & OILS:				
Lard (lb.)	29.1	— .9	35	25
Shortening, hydrog. (lb.)	35.2	.....	39	33
Salad dressing (pt.)	37.4	.2	42	35
Margarine, colored (lb.)	30.9	.7	35	29
Peanut butter (lb.)	52.1	.....	57	49
SUGAR & SWEETS:				
Sugar (5 lb.)	54.8	.1	62	52
Corn syrup (24 oz.)	25.2	.1	28	24
Grape jelly (12 oz. jar)	27.6	.3	33	25
Chocolate bar (1 oz.)	4.4	.....	5	4
MISCELLANEOUS:				
Gherkins (7½ oz.)	*	.....	.....	.....
Catsup (14 oz.)	22.8	.6	32	17
Gelatin dessert	8.3	— .2	10	7

* Insufficient number of quotations to obtain a reliable average price.

grade, species, or size of quality, have an economic destiny. They are sorted for the plant whose raw material requirement they will meet. There are no culls.

Bark Products. One major producer at Longview is making a variety of products from Douglas-fir bark. The Oregon Forest Products Laboratory at Corvallis, Oregon has worked out a process to extract wax from Douglas-fir bark.

Alcohol from Sulphite Liquors. A pulp mill in Washington is successfully making industrial ethyl alcohol from sulphite pulping liquors which normally must be disposed of as unusable material.

The millman shapes the destiny of the forester and guides his marking axe. There can be no forest management without purposeful utilization.

Because kraft pulp mills can use chunks of nearly every species of wood, as long as it is sound, loggers now can pick up almost every bit of logging residue and bring it to the mill, if the haul is within economic limits. It is estimated that today only about half as much unutilized material is left on the ground after logging as was left ten years ago. Reloggers are doing a magnificent job of going back over land many times. The Tillamook Burn salvage work, for instance, has made forestry history. Over 21 years after the original burn, usable logs are still being gleaned.

Similarly, a market has been opened up for thinnings from immature forests. Trees too small for lumber will make pulp. Besides the dollar value obtained from the sale of such thinned materials, the stand is benefited because the remaining trees are given more growing room.

Some companies are also prelogging—taking out understories of smaller trees before the harvest of the big stuff. Nearly all of the "long pull" timber operators are doing a more intensive job of clean up on the initial harvest. Some have perfected special methods of bringing big trees to the ground without breakage.

What's ahead? The look ahead is reassuring. We won't run out of wood, even though we may run short on big-sized trees. Our changing technology will permit the forest-products industry to subsist on a different kind and size of tree. Maybe we won't have sawmills as we know them today, but we will have plants making building materials from cellulose. There will be more accent on chemical, semi-chemical and "small piece" plants.

What may be ahead can be previewed today. One hardboard product available now is a tongue and grooved board that is used like lumber. Here is building material, made from chips, that can be made in any pattern, thickness, width, and length desired. Maybe lumber of the future will be extruded from machines, precolored and prefinished.

The forester of tomorrow will be growing cellulose per acre, in terms of tons or cubic feet. He probably won't even be interested in whether it's Douglas fir, western hemlock or spruce. With our increasing acreage of young-growth forest, made possible through protection from fire and intelligent management, we'll have plenty of wood for tomorrow's people and industries.

Balance of Payments Reflect Improved Conditions Abroad

During the first quarter of 1954, foreign gold and dollar assets increased another half billion dollars through transactions with the United States, continuing their uninterrupted growth since the second quarter of 1952. With further economic improvements abroad, several foreign countries relaxed their restrictions of purchases in the United States and made special repayments of debts.

While there has been some decline in domestic business activity from last year's peak which has affected our foreign trade, several factors contributed to the maintenance of a relatively high volume of economic interchange between the United States and foreign countries.

A small decline in United States demand for imported raw materials was compensated by the rising demand abroad, with the result that prices of internationally traded raw materials have remained relatively stable since the middle of last year. In fact, because of the price rises for coffee and cocoa, the average unit values of all United States imports during the first quarter of 1954 were slightly higher than during the second quarter of 1953.

Increased production abroad, particularly of basic agricultural products and fuels, had substantially reduced foreign dependence upon supplies from the United States.

The change in domestic business activity was quickly reflected in changes in interest rates, and, together with a rising confidence in certain foreign currencies, resulted in a substantial increase in the outflow of private capital from the United States.

The demand for dollars as international working capital and reserve against adverse developments has declined as more goods became available against payment in other currencies, and as restrictions on the use of sterling and several other European currencies for transactions among foreign countries were practically eliminated. Holdings of these currencies could be added, therefore, to effective foreign reserves, thus reducing the dependence of the rest of the world upon the flow of dollars and economic developments in the United States.

Balance-of-payments data for the first quarter of the current year were somewhat distorted by the effects of the disruption of shipping activities in the port of New York during March. Merchandise exports, excluding shipments of military end items under aid programs, declined from $996 million in February to $919 million in March, but rose again in April to $1,254 million.

Imports were probably also affected, although the March figure exceeded that for February. The April data indicate an import value of $957 million, about $100 million higher than in March. A part of the April rise, both for exports and imports, consisted of delayed shipments and, for analyzing international trade developments, should be added to the first-quarter figures. Such adjustments would raise the export values during the first quarter possibly by $150 million, and import values by $40-$50 million.

Compared with the previous quarter, the rise in foreign gold and dollar assets through transactions with the United States was $125 million higher. In addition, France was able to repay $70 million on a government loan although

the payment was not due until next year. However, this rise in foreign gold and dollar accumulations largely reflects seasonal factors in the balance of payments. Most important among these are the $140 million annual payment of interest and principal on the British loan, and seasonally larger incomes on private investments which reduced dollar accumulations during the fourth quarter. Merchandise exports are also usually higher in the late fall. Although foreign countries as a group continued to gain in financial strength at about the same rate as during the last quarter of 1953, there were increasing differences among them.

Foreign dollar receipts during the first quarter were about $300 million less than during the previous three-month period—or, if delayed imports were taken into account, the difference would be reduced to perhaps $250 million. Nearly $200 million of the decline stemmed from lower net disbursements on government grants (excluding those in the form of military end items) and long- and short-term investments.

The outflow of private capital increased, however, mostly as a result of new bond issues by Canada and the International Bank. These bond sales were stimulated in the late months of last year and the early part of the current year by the reduction in domestic interest rates while foreign rates were relatively steady. There were also major short-term bank loans to Germany and Turkey, which were, however, offset by repayments of short-term private claims on other European and on Latin American countries.

Merchandise imports have leveled off following the decline during the second half of last year. The higher payments for coffee and cocoa compensated for lower imports of iron and steel-mill products, industrial machinery, and other items for which demand has fallen. Imports of copper, aluminum, and other nonferrous metals and ferroalloys, however, were well maintained from the previous quarter. The major element in the decline in payments for goods and services was the smaller military expenditures, which mainly affected Japan.

Exports of goods and services (excluding military transfers under aid programs) were about $470 million smaller than during the previous quarter. If the delayed shipments were added to the first-quarter exports, the difference would be reduced to about $320 million. Exports of manufactured goods were apparently well sustained after allowing for normal seasonal variations. The major decline from the previous quarter was in grains and other agricultural products, which was in part offset by higher shipments of cotton.

Compared with the first quarter of last year, the balance of payments during the first quarter of 1954 shows that, for the rest of the world as a whole, the decline in the accumulation of gold and dollars by about a quarter of a billion dollars coincided with a similar decline in net disbursements on government grants, loans, and short-term assets. Imports of goods and services fell off more than exports, but the rise in the export balance (excluding military end items transferred under aid programs) from about $100 million in the first quarter of 1953 to about $170 million in the first quarter of 1954 was more than offset by the larger outflow of private United States capital. About one-third of the decline in total imports from the first quarter of 1953 to the first quarter of the current year was accounted for by smaller additions of strategic materials to the government stockpile. Although military expenditures partly compensated for the decline in merchandise imports, the major factor in limiting the rise in the export balance was the reduced demand for United States merchandise.

Net government grants to continental Europe included for the first time about $30 million of special aid to France to meet the costs of the war in Indochina.

The increased strength in the financial position of continental Western Europe was in part due to the rise in United States military expenditures by about $100 million, which approximately offset the decline in United States merchandist imports.

Another factor contributing to the rise in gold and dollar reserves by continental Western Europe was the net dollar earnings by the French, Belgian, and Portuguese dependencies resulting from considerably larger receipts from sales of cocoa and coffee to the United States while purchases of these dependencies here declined.

The net gain in gold and dollars by continental Western Europe, as reflected in the United States balance of payments, was about $90 million more than during the first quarter of last year. In addition, repayments of special loans by France exceeded those of last year by $40 million, and the United States reduced its holdings of certain European currencies by about $30 million, most of which was obtained in previous periods as the United States portion of counterpart funds to government aid disbursements.

United States transactions with the sterling area resulted in a decline in net payments by the United States from about $210 million in the first quarter of last year to $115 million in the first quarter of this year. Net sterling area receipts of gold and dollars from transactions with other countries were also smaller.

Beginning with February of this year, however, official sterling-area reserves rose, at an accelerating rate, a development which lasted at least through May. The rise reflects largely the increased usefulness of sterling for settling international transactions and for trading on British commodity exchanges, as well as on the recently opened gold market.

The change in net dollar receipts by the sterling area from the United States from the first quarter of last year was due to a decline in United States government grants (mainly due to the completion of grant-financed wheat shipments to Pakistan) and a shift in the movement of United States capital from a net outflow of $40 million to a small inflow.

Transactions in goods and services resulted in an increase in the United States payment balance from the first quarter of 1953 to the first quarter of the current year, although imports of merchandise from the sterling area dropped by about 20 per cent, approximately twice the percentage rate of the decline in total merchandise imports. United States exports were mostly affected by reduced requirements by the United Kingdom, India, and Pakistan for grains, and by a decline in the delivery of machine tools to the United Kingdom, most of which were financed under aid programs to increase production of military equipment. —*Survey of Current Business.*

CURRENT BUSINESS TRENDS IN OREGON

Employment. Nonagricultural employment in Oregon declined 3.8 per cent (17,600) between mid-June and mid-July 1954, the principal cause being the lumber strike. It has been estimated that about 25,700 workers were involved in labor disputes during July as contrasted to about 1,500 the middle of June before the lumber strike began. A year ago nonagricultural employment was 9.9 per cent higher (44,200). July 1954 lumber and woodworking employment was down 29.4 per cent (23,600) from mid-June and 37.0 per cent (33,200) from July 1953). Comparative data supplied by the Oregon State Unemployment Compensation Commission follow:

	July 1954	*June 1954*	*July 1953*
Lumber & wood products	56,600	80,200	89,800
Food & kindred products	21,300	18,100	23,100
Other manufacturing	41,300	41,400	44,300
Total manufacturing	119,200	139,700	157,200
Contract construction	26,900	24,500	28,900
Retail trade	79,900	78,500	83,600
Government	70,100	71,500	67,200
Other nonmanufacturing	148,400	147,900	151,800
Total nonmanufacturing	325,300	322,400	331,500
Total nonagricultural employment	444,500	462,100	488,700

Lumber. Current lumber-production figures are prepared by the West Coast Lumbermen's Association on the basis of reports from a sample which is considered representative under normal conditions. Whether the reporting mills are adequately representative of all mills during the strike is open to question. Statistical information for the Douglas-fir mills of the Pacific Northwest, based on a sample, follow (all figures in thousands of feet, board measure):

	July 1954	*June 1954*	*July 1953*
Average weekly production	79,821	169,085	166,217
Average weekly orders	83,754	205,835	176,204
Unfilled orders, end of month	894,564	900,162	878,277
Lumber inventory, end of month	849,742	872,645	1,038,091

Department-Store Sales. Retail sales, as indicated by department-store sales in Portland, have pushed ahead of last year, although the cumulative total is still behind 1953. Percentage changes in dollar sales volume, compared with the same period last year, for Portland and other Pacific Coast cities are shown below:

	Week Ending August 14, 1954	*4 Weeks Ending August 14, 1954*	*Calendar Year August 14, 1954*
Portland	+6	+4	−5
Los Angeles	+2	+2	−3
San Francisco-Oakland	+7	+6	−4
Seattle	+8	+4	−1
United States	+1	+1	−3

Multnomah County Real-Estate Transactions. During July 1954 there were 1,035 real-estate transactions amounting to $8,325,276 in Multnomah County. Of these, 738 involved residences, the sales price of which was $6,668,353; 268 were vacant properties, $560,957; and 29 were business properties, $1,095,966. Additional figures are:

	July 1954	*June 1954*	*July 1953*
Number of sales	1,035	1,186	1,460
Value of sales	$8,325,276	$10,010,431	$12,413,334
Number of mortgages	1,243	1,227	1,071
Amount loaned	$10,874,508	$9,620,922	$8,205,103
Number of sheriff's deeds	4	4	5
Amount of sheriff's deeds	$67,189	$70,824	$32,717
Average residential sales price	$9,036	$8,993	$9,616

BANK DEBITS

Bank debits represent the dollar value of the checks drawn against individual deposits. Payment for approximately 90 per cent of all goods, property, and services is by check. Bank debits are regarded as indicators of the general trend of business, though their value for this purpose may be impaired by substantial changes in the level of prices. The Bureau of Business Research collects bank debits from 124 banks and branches monthly. On occasion, the totals for the same month in different issues of the *Oregon Business Review* are not directly comparable because of necessary adjustments in basic data.

Marketing Districts	*Number of Banks Reporting*	*Debits July 1954*	*Debits June 1954*	*Debits July 1953*	*July 1954 Compared with June 1954*	*July 1954 Compared with July 1953*
Oregon	117	$1,501,956,793	$1,229,081,535	$1,295,205,485	+ 5.9	+ .8
Portland (Portland, Hillsboro, Oregon City, etc.)	34	833,981,569	772,101,139	797,961,901	+ 8.0	+ 4.5
Lower Willamette Valley (Salem, McMinnville, etc.)	15	101,932,417	95,262,890	112,696,082	+ 7.0	− 9.6
Upper Willamette Valley (Albany, Corvallis, Eugene)	17	122,950,140	124,311,596	127,900,075	− 1.1	− 3.9
North Oregon Coast (Astoria, Tillamook, etc.)	5	23,451,488	24,102,942	28,235,988	− 2.7	−16.9
Douglas, Coos, Curry counties	9	41,062,451	45,136,423	48,224,998	− 9.0	−14.9
Southern Oregon (Ashland, Medford, Grants Pass)	6	58,446,222	53,594,670	57,197,380	+ 9.0	+ 2.2
Upper Columbia River (The Dalles, Hood River, etc.)	7	24,553,875	24,445,968	25,648,040	+ .4	− 4.3
Pendleton area	5	23,594,544	18,671,388	24,100,828	+26.4	− 2.1
Central Oregon (Bend, Prineville, Redmond)	5	19,532,143	21,664,693	21,189,064	− 3.8	− 7.8
Klamath Falls, Lakeview area	5	28,712,116	26,962,937	28,269,483	+ 6.5	+ 1.6
Baker, La Grande area	4	9,164,082	9,088,776	9,633,728	+ 4.1	− 1.8
Burns, Ontario, Nyssa	5	14,275,716	13,738,113	14,147,918	+ 3.9	+ .9

BUILDING PERMITS

Building permits give an indication of building operations planned rather than actual construction under way. Care must be taken, in interpreting these data, to allow for the lag that may elapse between the issuance of the permit and the beginning of actual construction. The data have been collected by the Bureau of Business Research.

	New Residential July 1954	*New Nonresidential July 1954*	*Additions, Alterations & Repairs July 1954*	*Totals July 1954*	*Totals June 1954*	*Totals July 1953*
Albany	$ 62,000	$ 79,100	$ 5,800	$ 146,900	$ 155,900	$ 42,000
Astoria	23,334	13,300	11,744	48,378	40,812	98,022
Baker	35,000	12,760	4,350	52,110	51,860	104,650
Bend	42,800	950	6,885	50,635	164,101	138,490
Coos Bay	50,600	5,700	62,430	118,730	124,692	29,405
Corvallis	35,000	18,050	25,190	78,240	330,740	57,300
Eugene	82,800	18,450	113,961	215,211	769,246	619,973
Forest Grove	58,900	1,075	2,825	62,800	72,222	75,913
Grants Pass	21,990	1,100	35,585	58,675	141,620	119,702
Klamath Falls	30,500	21,150	25,525	77,175	241,168	255,625
La Grande	23,000	143,675	2,755	169,430	5,565	6,770
Medford	78,500	53,275	64,133	195,908	438,723	187,759
North Bend	11,800	31,610	7,610	51,020	63,740	106,950
Oregon City	11,000	350	6,050	17,400	113,685	81,770
Pendleton	112,000	12,300	14,123	138,423	132,830	34,100
Portland	1,583,740	708,450	1,806,890	4,099,080	4,634,435	5,585,320
Roseburg	25,500	32,300	34,285	92,085	451,510	70,630
Salem	238,200	110,050	73,665	421,915	3,175,132	414,395
Springfield	28,300	15,000	32,905	76,205	692,890	210,140
The Dalles	253,740	1,700	3,910	259,350	87,714	252,235
19 other communities	333,700	210,491	71,903	616,094	632,786	1,095,223
Total	$3,142,404	$1,490,836	$2,412,524	$7,045,764	$12,521,431	$9,586,372